

STATE OF SOUTH CAROLINA

(Caption of Case)

In re:

Application of Duke Energy Carolinas, LLC
For Approval of Proposed Pension Costs Rider

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2010 - - E

(Please type or print)

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigator
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input checked="" type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-

In re:)	
)	
Application of Duke Energy Carolinas, LLC)	DUKE ENERGY CAROLINAS, LLC'S
For Approval of Proposed Pension Costs Rider)	APPLICATION FOR APPROVAL OF
)	PROPOSED PENSION COSTS RIDER
)	

In accordance with the Public Service Commission of South Carolina's (the "Commission") Order No. 2010-79 in Docket No. 2009-226-E (the "Order") and the settlement agreement ("Settlement Agreement") by and among Duke Energy Carolinas, LLC (Duke Energy Carolinas" or the "Company"), the South Carolina Office of Regulatory Staff ("ORS"), Southern Alliance for Clean Energy, Southern Environmental Law Center, the Natural Resources Defense Council, Environmental Defense Fund, the South Carolina Coastal Conservation League, and the South Carolina Energy Users Committee, Duke Energy Carolinas hereby requests that the Commission approve its proposed, updated Pension Costs Rider. This proposed Pension Costs Rider is based on the estimated annual pension costs for the upcoming year, along with a true-up to reflect annual pension costs in the prior year.

In support of its application, the Company states as follows:

1. In its most recent general rate case, Docket No. 2009-226-E, Duke Energy Carolinas included a projected increase in operating expenses of \$3,574,000 to reflect increased pension expense.

2. The Settlement Agreement provided for both the removal of the projected increase from operating expenses and the establishment of a rider to collect the difference between the pension expense amount collected in base rates and the actual pension expense amount. The parties agreed that the Pension Costs Rider would be adjusted annually and be subject to a true-up. Duke Energy Carolinas also agreed to provide a quarterly tracking report to ORS regarding the Pension Fund obligation and the market value of the assets available to meet the obligation for the Duke Energy Pension Fund. The Order approved the terms and conditions of the Settlement Agreement with respect to the Pension Costs Rider.

3. The amount collected through this proposed Pension Costs Rider will be based on estimated annual pension costs for the period October 2010, through December 31, 2011, along with a true-up to reflect the actual pension costs year to date as of September 30, 2010.

4. The amount to be recovered from South Carolina's jurisdictional electric customers under the Pension Costs Rider from April 2011, through December 2011, is \$11,852,517. The various components comprising this amount are located in Exhibits 1-3 of this application. This amount includes the estimated annual pension costs of \$7,346,829 for the upcoming year, with the under collected amount of \$4,505,688 through March 2011.

5. Based on the total amount to be recovered from April 2011, through December 2011, the Company proposes a Pension Costs Rider rate of 0.0751¢ per kilowatt hour, excluding gross receipts tax ("GRT") and regulatory fee, or 0.0754¢ per kilowatt hour, including GRT and regulatory fee. The Company proposes use of the tariff sheet in Exhibit 4.

Based on the foregoing, the Company respectfully requests that the Commission grant its application seeking approval of its proposed Pension Costs Rider as described herein and in the attached exhibits. Additionally, in accordance with S.C. Code Ann. § 58-27-870(F), the

Company requests that the Commission allow the proposed Rider to be put into effect April 1, 2011, without notice and hearing. The proposed rate does not require a determination of the entire rate structure and overall rate of return, and will facilitate an orderly rate administration.

Dated this 30th day of November, 2010.

A handwritten signature in black ink, appearing to read "Charles A. Castle", written over a horizontal line.

Charles A. Castle, Senior Counsel
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Duke Energy Carolinas, LLC

PSCSC Docket No. 2010-____-E, Order No. _____

Update for increased pension costs

Exhibit 1

	Source	2011 April - December
Pension Expense		
1 Total DE Carolinas pension expense	DEC Pension Allocations	\$ 19,557,000
2 SC Allocation Factor - SC Retail excluding Greenwood	2009 Cost of Service Study - Wages & Salaries excl. A&G	25.2360%
3 SC % of pension expense	Line 1 * Line 2	\$ 4,935,405
4 Pension costs in base rates [2,531,000 per year]	Exhibit 3	1,898,250
5 SC Portion of Pension Expense to collect	Line 3 - Line 4	\$ 3,037,155
Return on Pension Contributions		
6 Pension Contributions in excess of amount in base rates	Costs Associated with Pension Funding	\$ 302,465,510
7 Deferred tax rate (1-39.176%)	Docket No. 2009-226-E- Order No. 2010-78	60.82%
8 After-tax Excess contributions	Line 6 * Line 7	183,971,622
9 Revenue requirement [12.3769% per year]	Docket No. 2009-226-E- Order No. 2010-78	9.28%
10 Calculated return on contributions	Line 8 * Line 9	17,077,488
11 SC Allocation Factor - SC Retail excluding Greenwood	2009 Cost of Service Study - Wages & Salaries excl. A&G	25.2360%
12 SC Portion of Return on Contributions to collect	Line 10 * Line 11	\$ 4,309,675
13 Total Pension Expense + Return Eligible for rider	Line 5 + Line 12	\$ 7,346,829
14 Undercollected through March 2011 (Forecasted)	Exhibit 2 Line 20	4,505,688
15 Total to be recovered April - December 2011	Line 13 + Line 14	\$ 11,852,517
16 Projected MWh sales - SC Retail excluding Greenwood	2010 Fall Forecast	15,785,080
17 Cents per KWh sales excluding Gross Receipts Tax and Regulatory Fee	Line 15 / (Line 16 * 1000) *100	0.0751
18 Gross Receipts Tax and Regulatory Fee Factor	1/(1-.00456)	1.004581
19 Cents per KWh sales including Gross Receipts Tax and Regulatory Fee	Line 17 + Line 18	0.0754

Duke Energy Carolinas, LLC

PSCSC Docket No. 2010-____-E, Order No. _____
Update for increased pension costs
(\$'s in 000's)

Exhibit 2

	Source	Actual 2010 YTD September	Forecasted 2010 October	Forecasted 2010 November	Forecasted 2010 December	Forecasted 2011 January	Forecasted 2011 February	Forecasted 2011 March
Pension Expense								
1 Total DE Carolinas pension expense	DEC Pension Allocations	\$ 20,466,971	\$ 1,523,000	\$ 1,523,000	\$ 1,523,000	\$ 2,173,000	\$ 2,173,000	\$ 2,173,000
2 SC Allocation Rate	2009 Cost of Service Study	25.2360%	25.2360%	25.2360%	25.2360%	25.2360%	25.2360%	25.2360%
3 SC % of pension expense	Line 1 * Line 2	\$ 5,165,045	\$ 384,344	\$ 384,344	\$ 384,344	\$ 548,378	\$ 548,378	\$ 548,378
4 Pension costs in base rates [2,531,000 per year]	Exhibit 3	1,898,250	210,917	210,917	210,917	210,917	210,917	210,917
5 SC Portion of Pension Expense to collect	Line 3 - Line 4	\$ 3,266,795	\$ 173,428	\$ 173,428	\$ 173,428	\$ 337,462	\$ 337,462	\$ 337,462
Return on Pension Contributions								
6 Pension Contributions in excess of amount in base rates	Costs Associated with Pension Funding	\$ 127,834,706	\$ 127,834,707	\$ 127,834,708	\$ 127,834,709	\$ 302,465,510	\$ 302,465,510	\$ 302,465,510
7 Deferred tax rate (1-39.176%)	Docket No. 2009-226-E- Order No. 2010-78	60.82%	60.82%	60.82%	60.82%	60.82%	60.82%	60.82%
8 After-tax Excess contributions	Line 6 * Line 7	77,754,182	77,754,182	77,754,183	77,754,183	183,971,622	183,971,622	183,971,622
9 Revenue requirement [12.3769% per year]	Docket No. 2009-226-E- Order No. 2010-78	9.28%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%
10 Calculated return on contributions	Line 8 * Line 9	7,217,668	801,963	801,963	801,963	1,897,499	1,897,499	1,897,499
11 SC Allocation Factor - SC Retail excluding Greenwood	2009 Cost of Service Study - Wages & Salaries excl. A&G	25.2360%	25.2360%	25.2360%	25.2360%	25.2360%	25.2360%	25.2360%
12 SC Portion of Return on Contributions to collect	Line 10 * Line 11	\$ 1,821,451	\$ 202,383	\$ 202,383	\$ 202,383	\$ 478,853	\$ 478,853	\$ 478,853
13 Total Pension Expense + Return Eligible for rider	Line 5 + Line 12	\$ 5,088,245	\$ 375,811	\$ 375,811	\$ 375,811	\$ 816,314	\$ 816,314	\$ 816,314
13 SC Allocation Factor - SC Retail excluding Greenwood	2010 Fall Forecast			1,545,431	1,661,911	1,822,825	1,795,578	1,590,103
14 Pension Rider cents per KWh	Pension Cost Rider (SC)			0.0166	0.0166	0.0166	0.0166	0.0166
15 SC Pension Rider Collected	Line 13 * 1000 * Line 14 / 100	2,515,866	265,087	256,542	275,877	302,589	298,066	263,957
16 Gross Receipts Tax and Regulatory Fee Rate		0.004560	0.004560	0.004560	0.004560	0.004560	0.004560	0.004560
17 Remove Gross Receipts Tax and Regulatory Fee	Line 15 * Line 16	11,471	1,209	1,170	1,258	1,380	1,359	1,204
18 Total Rider Revenue excluding Gross Receipts Tax and Regulatory Fee	Line 15 - Line 17	2,504,395	263,878	255,372	274,619	301,209	296,707	262,754
19 Difference to be Deferred--undercollected/(overcollected)	Line 13 - Line 18	\$ 2,583,851	\$ 111,933	\$ 120,439	\$ 101,192	\$ 515,105	\$ 519,607	\$ 553,561
20 Cumulative Difference to be Deferred--undercollected/(overcollected)	Current period + Cumulative prior period	\$ 2,583,851	\$ 2,695,783	\$ 2,816,223	\$ 2,917,414	\$ 3,432,519	\$ 3,952,127	\$ 4,505,688

Duke Energy Carolinas, LLC

PSCSC Docket No. 2010-____-E, Order No. _____

Update for increased pension costs

Exhibit 3**Pension Costs Calculation****Source: 2009 Rate Case Filing
Docket No. 2009-226-E****(\$'s in 000's)
2008**Duke Energy Carolinas (DEC):

1	Pension costs charged to DEC	2008 Page 12.1 SD-2001(A)	\$ 6,755
2	Percent of DEC labor charged to electric O&M	2008 Page 12.1 SD-2001(A)	67.87%
3	Pension costs to DEC charged to electric O&M	Line 1 * Line 2	<u>4,585</u>

Service Company (Svc Co):

4	Pension costs charged to Svc Co	2008 Page 12.1 SD-2001(A)	21,695
5	Svc Co allocation percentage to DEC	2008 Page 12.1 SD-2001(A)	<u>41.40%</u>
6	Pension costs to Svc Co charged to electric O&M	Line 4 * Line 5	8,982
7	Percent of DEC labor charged to electric O&M	2008 Page 12.1 SD-2001(A)	<u>67.87%</u>
8	Pension costs to DEC charged to electric O&M	Line 6 * Line 7	<u>6,096</u>
9	Pension costs charged to electric O&M	Line 3 + Line 8	<u>10,681</u>
10	SC Allocation Factor - SC Retail excluding Greenwood	2008 Page 12.1 SD-2001(A)	23.6978%
11	SC pension cost charged to electric O&M in 2008	Line 9 * Line 10	<u>\$ 2,531</u>

PENSIONS COSTS RIDER (SC)

APPLICABILITY (South Carolina Only)

All service supplied under the Company's rate schedules is subject to an increment per kilowatt hour as set forth below. This increment is not included in the Rate Schedules of the Company and therefore, must be applied to the bill as calculated under the applicable rate.

Effective for service rendered on and after April 1, 2011 the applicable kilowatt hour rider increment including revenue-related taxes and regulatory fees is 0.0754¢ per kilowatt hour.